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# Foreign Agriculture



# Foreign Agriculture

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## FRONT COVER

### Mexican Farmer Grows Hybrid Corn

A Mexican farmer exhibits ears of corn from an early drought-resistant hybrid. Corn is Mexico's principal food, and anything that increases production—such as the use of improved varieties—is likely to contribute to increased consumption. (Photo courtesy of the Rockefeller Foundation.)

Credit for photos is given as follows: p. 162, the Rockefeller Foundation; pp. 167-168, James H. Kempton.

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ALICE FRAY NELSON, EDITOR

# Selling Fats and Oils To Western Germany

The Federal Republic of Germany is the world's second biggest import market for fats and oils (biggest is the United Kingdom, which imports largely from Commonwealth sources). Western Germany depends on imports for more than half of its edible fats and oils and nearly all of its industrial ones. The total volume of its imports is about 0.9 million metric tons annually (pure-fat equivalent).

Vigorous industrial development is restoring Western Germany's living standards to prewar levels; there is demand, backed by purchasing power, for most types of oils and fats, both edible and industrial. This spring Western Germany removed quantitative restrictions on a number of these commodities, including soybeans and others of great interest to U. S. producers and exporters.

Germany's foreign trade in fats and oils reflects a large market in which the United States has a sizable share. It is also a complex and changing market, which can be adequately understood only in the light of current production and consumption trends and the direction of German trade policy.

## Foreign Trade

**Trends.** In 1954, as in 1953, Western Germany imported more oilseeds than it had the year before, decreased its imports of animal fats in favor of more vegetable and marine oils, and found expanding outlets for fatty acids (its only important fats and oils export).

Before the war, the German oil-milling industry was concentrated in the ports and along the water routes of the west. Consequently, the division of the country by the Iron Curtain left the present Federal Republic with a large excess milling capacity. This has tended to strengthen the policy of importing seeds rather than oils—a policy which has handicapped U. S. exports of vegetable oils,

Annual per capita consumption of edible fats in Western Germany, average 1935-38, annual 1953 and 1954

Commodity	[In pounds, pure-fat equivalent]		
	Average 1935-38	1953	1954
Butter . . . . .	14.8	11.5	12.6
Slaughter fats (lard and edible tallow) . . . . .	13.9	13.0	12.1
Margarine . . . . .	10.6	20.7	21.2
Shortening . . . . .	2.6	2.2	2.4
Table oil . . . . .	4.4	3.5	5.1
Total . . . . .	46.3	50.9	53.4

Source: Compiled by the American Embassy, Bonn, Germany, from data furnished by the Federal Ministry for Food, Agriculture, and Forestry.

especially cottonseed oil. There is little prospect of change, since even in 1954—a good year for imports—total processing (804,600 metric tons) utilized only 45 percent of the existing capacity. The three most important oilseeds processed, in order of volume, were soybeans, copra, and palm kernels. These accounted for 77 percent of total processing.

**U. S. share.** In 1953 and 1954, the U. S. share of the West German market was about one-fifth in both value and volume. Our exports of lard and fatbacks to Western Germany were smaller in 1954 than in 1953, but still ahead of those from any other source. Our exports of "other animal fats and oils" (neat's-foot oil and bone oil, among others) also declined somewhat, but were still by far the largest. For inedible tallow we increased both our export volume and our lead over the nearest competitor. For marine oils other than whale, we stayed in the lead, but not by much. Our greatest success was in soybeans; we supplied more than 80 percent of Western Germany's total soybean imports, topping 1953 shipments by more than 60 percent.

## Factors Influencing United States Sales Domestic Production

During the calendar year 1954 Western Germany's dependence upon imported fats and oils

Article based on reports from the American Embassy, Bonn, Germany, by J. J. Haggerty, R. A. O. Schwartz, F. R. Herger, and W. F. Doering.

reached 57 percent for edible and 95 percent for industrial; the 1953 percentages had been 54 percent and 92 percent. For the individual edible fats, the degree of import dependence varies widely. Western Germany is very nearly self-sufficient in butter. Its slaughter-fat production is rising, and now covers about 80 percent of requirements; currently, Western Germany has a surplus of slaughter hogs that has forced a cut in imports of both hogs and lard. But for the ingredients of margarine, shortening, and table oil, Western Germany is almost completely dependent on imports. Raw oil production from imported seeds was 324,900 metric tons in 1954, as against 309,700 in 1953. Western Germany grows rape, flaxseed, poppy, and a few

other oilseeds, but production is insignificant. Production of all industrial fats and oils also is minor.

#### Consumption Pattern

**Edible fats and oils.** Before the war, the average German ate somewhat more butter than margarine. But by 1953 he was eating considerably more margarine than butter. This long-term pattern will probably hold good in spite of short-term shifts in years like 1954, when there was an increase in butter sales; for in 1954 there was also an increase in sales of fancy and expensive margarines. With more money to spend, Germans were less bound by price considerations in choosing their fats.

(Continued on page 169)

# Europe's East-West Trade in Food

By LOIS BACON\*

West Europe's net imports of food from East Europe<sup>1</sup> dropped sharply in 1953. Trade returns for 1954, though still incomplete, indicate that little or no recovery took place in that year. In view of the fact that 1954 brought East Europe a poor harvest for the third season in a row, the trade in 1955 also is likely to remain on relatively low levels.

The decline in net imports between 1952 and 1953 (table 1) reflects both a decrease in West Europe's gross imports from East Europe, and an increase in its gross exports to that area.

Gross imports of grain from East Europe fell by more than one-third, Rumania and Bulgaria being the only East European countries to ship more to the west in 1953 than in 1952 (table 2). Gross imports of sugar dropped by almost one-half, largely because of the sharp decline in sugar obtained from Czechoslovakia and the Soviet Zone of Germany. Decreases in shipments from east to west were registered for most other foods also, except meat, eggs, and vegetables.

In 1954 and the first 4 months of 1955, currently

This statistical note continues the series of notes on Europe's east-west trade in food that have been published at intervals in *Foreign Agriculture* (April 1951, December 1952, and July 1954). The postwar data in the tables are here carried through 1953, the latest year for which reasonably complete data are available. Revisions of some of the figures published earlier also are included.

An explanation of the data, which are based on the trade statistics of West European countries, and of the construction of the tables, will be found in the first note of the series, in the April 1951 issue of *Foreign Agriculture*.

available data indicate, West Europe's gross imports of food from East Europe declined again, whereas food exports to East Europe, not only from West Europe but also from other parts of the world, showed a further and striking increase.

\* The credit for the statistical computations for 1953 belongs to Bertha Magid.

<sup>1</sup> As it did in the earlier notes, "East Europe" refers to the following countries within their present frontiers, for both prewar and postwar trade: The Soviet Union, Poland, the Soviet Zone of Germany, Czechoslovakia, Hungary, Rumania, Bulgaria, Albania, Yugoslavia, and Finland. "West Europe" refers to the rest of Europe, including the British Isles.

TABLE 1.—West Europe's net imports of food products from East Europe, prewar and 1947-53<sup>1</sup>

Foodstuff	In absolute quantities (1,000 metric tons)							In percent of net imports from all countries <sup>2</sup>								
	Prewar <sup>3</sup>	1947	1948	1949	1950	1951	1952	1953	Prewar <sup>3</sup>	1947	1948	1949	1950	1951	1952	1953 <sup>4</sup>
Grains:																
Wheat and rye ..	3,200	110	650	1,100	705	460	770	525	26	1	4	8	6	3	6	5
Other (excl. rice) ..	2,400	110	1,200	1,040	1,130	1,205	1,550	525	20	2	16	12	16	17	21	7
Total .....	5,600	220	1,850	2,140	1,835	1,665	2,320	1,050	22	1	8	10	9	8	12	6
Sugar .....	775	100	(5)	155	185	190	285	125	26	4	.....	6	8	9	12	3
Potatoes .....	1,300	80	(5)	(5)	40	(5)	7	(5)	(6)	(7)	.....	.....	(7)	.....	(7)	.....
Dry legumes .....	165	8	5	15	30	(5)	5	(5)	36	2	2	6	12	.....	2	.....
Other vegetables ..	(5)	(5)	45	55	20	15	25	45	.....	.....	17	13	17	(7)	14	38
Fruit .....	(5)	(5)	(5)	15	(5)	(5)	(5)	(5)	.....	.....	.....	1	.....	.....	.....	.....
Meat (carcass wt.) <sup>5</sup> ..	200	(5)	20	40	110	60	73	81	12	.....	2	3	12	6	8	8
Fats (fat content) <sup>6</sup> ..	20	(5)	(5)	(5)	30	(5)	(5)	(5)	1	.....	.....	.....	1	.....	.....	.....
Cheese .....	(5)	(5)	(5)	3	3	5	5	(5)	.....	.....	.....	2	3	5	8	.....
Eggs .....	20	2	12	16	32	16	25	30	13	1	10	11	23	16	28	48

Foreign Agricultural Service, May 1955.

<sup>1</sup> For the definition of East and West Europe, see text footnote 1, and, for background information on the construction of the table and on the prewar and postwar data, see "Europe's East-West Trade in Food," *Foreign Agriculture*, April 1951.<sup>2</sup> Net imports from East Europe for the calendar years 1947 through 1953 have been compared with net imports from all countries in the fiscal years 1947-48 through 1953-54.<sup>3</sup> "Prewar" refers to a 4- or 5-year average within the period 1933-39.<sup>4</sup> Preliminary.<sup>5</sup> Exports to East Europe exceeded imports from that area.<sup>6</sup> West Europe had a net export to non-European countries.<sup>7</sup> West Europe had a net export to all countries.<sup>8</sup> Includes meat from imported live animals.<sup>9</sup> Includes butter, slaughter fats (as such and from imported live animals), marine oils, and only those oilseeds that are grown in Europe or oil produced from those seeds.

During this period, East Europe, once a major surplus-bread-grain-producing region, was a net importer of wheat and rye. Although known shipments from the region add to about 1 million metric tons, including 800,000 tons for West Europe, shipments to the region total at least 2.7 million metric tons: Some 1,150,000 tons for Yugoslavia, mostly from the United States; about 110,000 tons for Finland, which also received some 200,000 tons from the Soviet Union; and 1,440,000 tons for the Soviet Bloc countries, mainly from France, Argentina, and Turkey. Of this East European deficit of at least 1,700,000 tons, Finland and Yugoslavia account for the largest part; but the Soviet Bloc also appears to have had a deficit, for, even including exports to Finland, its total known exports come to only 1,200,000 tons, as against imports of at least 1,440,000 tons.

In coarse grains East Europe during the same period (January 1954-April 1955) maintained its position as a net exporter, but its export surplus sank to low levels. Shipments received by West Europe, East Europe's only outlet of importance for coarse grains, came to some 500,000 metric tons, including more than 100,000 tons from Yugoslavia. At the same time, Argentina alone sent 200,000 tons

of coarse grain to the Soviet Bloc.

East Europe apparently also maintained its position as a net exporter of sugar in 1954, but shipments in 1955 to outside areas are expected to be very small. During the first half of 1955, the Soviet Union purchased more than 600,000 metric tons from the west, chiefly Cuba. Some of the satellite countries, as well as Finland and Yugoslavia, have also bought sugar in western markets.

East Europe became a net importer of meat in 1954, owing to its reduced exports and large purchases in the west by the Soviet Bloc. Shipments of East European meat into the United Kingdom, West Germany, and Italy, which accounted for nearly all the meat received by West from East Europe in 1953, declined from 96,000 metric tons in that year to less than 80,000 tons in 1954,<sup>2</sup> a decline only slightly offset by the increase in shipments of Polish hams into the United States from 6,100 tons in 1953 to 8,400 tons in 1954. At the same time Denmark, France, and the Netherlands exported a total of 62,000 tons of meat to the Soviet Bloc, compared with 19,000 tons in 1953; and Uruguay, Argentina, New Zealand, and South

<sup>2</sup> Carcass weight, including the carcass weight equivalent of live animals.

Africa shipped to it at least 65,000 tons, compared with less than 10,000 tons in 1953.

There are also strong indications that East Europe's net imports of fats and oils from West Europe in 1954 considerably exceeded the 1953 level of 110,000 metric tons (fat content).<sup>3</sup> To this indicated increase is also added larger receipts of East Europe's combined takings of butter and lard from overseas countries. United States exports of lard to Yugoslavia rose from 9,400 metric tons in 1953 to 12,100 tons in 1954. Receipts of butter by Soviet Bloc countries from overseas sources rose from an estimated 13,600 metric tons in 1953 to 18,700 tons in 1954. Of this increased amount, Argentina shipped 4,300 metric tons and New Zealand exported 14,400.<sup>4</sup> Yugoslavia is also to receive 6,000 tons of butter and 6,000 tons of vegetable oil from the United States through CARE in the first half of 1955. What East Europe obtained otherwise in the way of oilseeds and vegetable oils from non-European countries is not definitely known, except for Argentine shipments in 1954 of some 55,000 metric tons of linseed oil, mostly to the Soviet Union, and Indonesian shipments in 1954 and the first 2 months of 1955 of 15,000 tons of copra, mostly to the satellite countries. An Argentine-Soviet agreement signed in May 1955 provides, among other things, for the purchase of 60,000 tons of linseed oil by the Soviet Union. Trade sources estimate the Soviet Bloc's total imports of fats and oils (including oil equivalent of oilseeds) at about 500,000 metric tons in 1954-55.

The above data, incomplete though they are, suffice to show that the Soviet Bloc, as well as East Europe as a whole, shifted from an export to an import basis for food, at least for the season 1954-55. The main causes of this shift were the continued low level of agricultural production in East Europe, and the adoption by the Soviet Bloc, in 1953, of the "New Course," whose aims included an improvement in urban and rural standards of living. Improved living standards in rural areas, coupled with a policy offering farmers somewhat better economic incentives to produce and, in the satellite area, some relaxation of the drive for collectivization, were designed to foster an increase in agricultural

<sup>3</sup> All fats, oils, and oilseeds, including those produced or only processed in Europe, insofar as they are recorded in the trade statistics of West European countries.

<sup>4</sup> Reported by New Zealand Dairy Commission as diversions from the United Kingdom.

productivity. Any effect the New Course may have had on productivity in 1954 was more than outweighed by poor weather conditions during the growing season. As a result, increased supplies from outside areas were needed even to maintain consumption levels. In Hungary, Rumania, and the Soviet Zone of Germany, the food situation appears to have deteriorated during the 1954-55 season.

Growing conditions for the 1955 harvest in East Europe have thus far been somewhat better than they were for the 1954 harvest. At the same time, the Soviet Bloc has switched from the New Course back to a policy emphasizing heavy industry at the expense of consumer goods. For the first time in 9 years, the Soviet Union did not announce price cuts in the spring of 1955, nor did Hungary or the Soviet Zone of Germany; and the price cuts announced in Poland, Czechoslovakia, Rumania, and Bulgaria were small and affected few important foodstuffs. Thus, if food consumption levels are not permitted to increase, and present prospects for a somewhat larger harvest materialize, the Soviet Bloc may shift back to an export basis for food in 1955-56, especially if the Soviet Union's "Battle for Grain" is at all successful this year. The export surplus, if any, is not likely to be large, however, and may be offset by continued large wheat imports into Yugoslavia, so that East Europe as a whole may remain a net importer of food.

The renewed emphasis on military and industrial expansion in the Soviet Bloc has not as yet been accompanied by a cancellation of New Course concessions to agricultural producers with respect to compulsory delivery quotas, taxes, and allocation of means of production; and only Hungary and Czechoslovakia have thus far announced a new intensification of the drive for collectivization. In Yugoslavia, where the drive for collectivization was relaxed as early as 1951 and compulsory delivery quotas were all abandoned by March 1953, strenuous efforts are also being made to increase agricultural productivity. It appears highly doubtful, however, that the measures now in effect in East Europe afford producers sufficient incentive to increase productivity fast enough to match the growth in demand. Unless the ambitious acreage expansion program of the Soviet Union succeeds in increasing production, East Europe is not likely to have a steady, large exportable surplus of food, though one or another West European country may obtain a substantial proportion of its gross imports from the east from time to time.

TABLE 2.—West Europe's gross imports of grain from East Europe, by country of origin, average 1934-38, annual 1949-53<sup>1</sup>  
 [In 1,000 metric tons]

Grain and period		Soviet Union <sup>2</sup>	Poland	Eastern Germany <sup>3</sup>	Czechoslovakia	Hungary	Rumania	Bulgaria	Yugoslavia	Total
<b>Wheat:<sup>4</sup></b>										
Prewar frontiers	1934-38 . . . . .	605	50	225	60	443	506	63	103	2,055
Postwar frontiers	1934-38 . . . . .	800	150	75	60	443	350	70	103	2,051
	1949 . . . . .	323	1	...	11	70	...	...	9	414
	1950 . . . . .	190	10	24	48	154	14	10	11	461
	1951 . . . . .	242	...	15	( <sup>6</sup> )	74	67	( <sup>6</sup> )	...	398
	1952 . . . . .	610	48	...	...	46	20	23	...	747
	1953 . . . . .	312	...	...	...	38	60	52	...	462
<b>Rye:</b>										
Prewar frontiers	1934-38 . . . . .	181	210	650	1	50	54	4	3	1,153
Postwar frontiers	1934-38 . . . . .	250	775	50	1	50	...	30	3	1,159
	1949 . . . . .	66	509	...	...	177	...	...	...	752
	1950 . . . . .	38	152	58	40	35	...	...	...	323
	1951 . . . . .	105	15	6	( <sup>6</sup> )	13	10	9	( <sup>6</sup> )	158
	1952 . . . . .	76	...	...	10	35	22	5	...	148
	1953 . . . . .	393	...	...	...	38	76	54	...	561
<b>Barley:<sup>5</sup></b>										
Prewar frontiers	1934-38 . . . . .	314	269	200	140	20	307	5	7	1,262
Postwar frontiers	1934-38 . . . . .	575	300	50	140	20	150	15	7	1,257
	1949 . . . . .	161	19	7 9	32	45	6	...	17	289
	1950 . . . . .	332	5	7 3	78	30	...	...	...	448
	1951 . . . . .	510	30	7 15	73	9	...	( <sup>6</sup> )	...	637
	1952 . . . . .	447	71	3	103	4	...	5	12	645
	1953 . . . . .	159	33	1	71	5	...	4	...	273
<b>Oats:</b>										
Prewar frontiers	1934-38 . . . . .	53	37	150	15	...	13	...	4	272
Postwar frontiers	1934-38 . . . . .	53	37	150	15	...	13	...	4	272
	1949 . . . . .	28	90	...	...	30	5	...	...	153
	1950 . . . . .	85	...	( <sup>6</sup> )	...	1	4	...	...	90
	1951 . . . . .	178	...	( <sup>6</sup> )	...	...	...	...	...	178
	1952 . . . . .	159	9	...	...	...	...	...	2	170
	1953 . . . . .	34	37	...	...	...	...	...	( <sup>6</sup> )	71
<b>Corn:</b>										
Prewar frontiers	1934-38 . . . . .	31	...	...	2	61	421	46	321	\$882
Postwar frontiers	1934-38 . . . . .	150	...	...	2	61	275	75	321	\$884
	1949 . . . . .	96	...	...	( <sup>6</sup> )	178	26	20	262	582
	1950 . . . . .	344	...	...	...	25	34	6	193	602
	1951 . . . . .	328	...	...	...	16	8	...	44	396
	1952 . . . . .	232	...	...	...	12	35	10	440	729
	1953 . . . . .	26	...	...	...	6	66	17	45	160
<b>Total:</b>										
Prewar frontiers	1934-38 . . . . .	1,184	566	1,225	218	574	1,301	118	438	5,624
Postwar frontiers	1934-38 . . . . .	1,828	1,262	325	218	574	788	190	438	5,623
	1949 . . . . .	674	619	9	43	500	37	20	288	2,190
	1950 . . . . .	989	167	85	166	245	52	16	204	1,924
	1951 . . . . .	1,363	45	36	73	112	85	9	44	1,767
	1952 . . . . .	1,524	128	3	113	97	77	43	454	2,439
	1953 . . . . .	924	70	1	71	87	202	127	45	1,527

Foreign Agricultural Service, May 1955.

<sup>1</sup> For the definition of West and East Europe, see text footnote 1; and for background information on the construction of the table and on the prewar and postwar data, see "Europe's East-West Trade in Food," *Foreign Agriculture*, April 1951. Finland and Albania have here been omitted from East Europe, since West Europe's grain imports from those countries are negligible. Because of the inclusion of Finland and of minor grains in table 1, net imports of "other grain, excluding rice" in 1949, 1952, and 1953 are slightly higher than the total for gross imports of barley, oats, and corn as shown here. Dots indicate that imports, if any, are not separately specified.

<sup>2</sup> Data for prewar as well as postwar frontiers include trade of the Baltic countries.

<sup>3</sup> Includes the territory east from the present boundary line between the Western zones and the Soviet zone.

<sup>4</sup> Includes flour in terms of wheat equivalent.

<sup>5</sup> Includes malt in terms of barley equivalent.

<sup>6</sup> Less than 500 tons.

<sup>7</sup> Some of these imports may have come from Western Germany.

<sup>8</sup> Assuming that German imports (192,000 tons) went to Western Germany.

# What Kind of a Market Is India for Our Dry Milk?

By TERRENCE W. McCABE

Although India has almost a fourth of the cattle in the world and more than half the water buffaloes, its annual milk production furnishes only about 115 pounds of milk per person, far less than the requirements of a population that must look to milk for most of its intake of animal proteins. In trying to meet this need, India has been removing piecemeal the severe restrictions that it placed on the importation of nonfat dry milk solids in 1952-53. As a result of this easing of regulations, such imports have increased over 55 percent in 2 years. And the United States share of this market increased during the period, too. India's urgent need for milk products, and the difficulties that are so far keeping it from establishing a milk-drying industry, open the door to any United States exporters who will furnish the quality India wants at competitive prices.

To supplement its inadequate milk production, India imported in 1953 82 million pounds of whole milk equivalent in the form of 1.4 million pounds of butter and ghee, 1.1 million pounds of cheese, 9.8 million pounds of condensed and evaporated milk, and 2.5 million pounds of dry whole milk. Primarily, however, India is a market for nonfat dry milk solids, which it does not produce. It is the world's second largest importer of this commodity.

In the marketing year ending March 1952, India imported 25.1 million pounds of the commodity; in the 1952-53 year, 33.7 million; and in the 1953-54 year—the last

for which complete data are available—39.3 million pounds.

In this same period—1951-52 to 1953-54—United States exports to India rose from 1 million pounds to about 5 million. And from April through December 1954, exports to India from the United States amounted to 10.8 million; much of this total, however, was accounted for by UNICEF's shipments of nonfat dry milk solids, which it purchased from CCC stocks for a nominal sum. (UNICEF stands for the United Nations Children's Fund.)

The Government of India has recently indicated that it intends to capture at least part of its own vast internal market. Various departments of the Government have during the past several months recommended the setting up of from 9 to 22 milk-drying plants throughout the country during the next 5 years. In several of the installations the Government expects to have the financial assistance of UNICEF, which would use its share of the production for free distribution to needy children.

The need for the plants and the end use of the product is not the point at issue. With such a small per capita production of whole milk the question is rather where is India to get the milk, particularly the skim milk, to supply the drying plants? According to Indian Government figures, published in 1950, not more than 1.5 percent of India's milk production is machine-skimmed.

The question of supply has come up before. It is not generally known that India once had a small milk-drying industry. In 1938 a

Calcutta firm, National Nutriments, Ltd., began the commercial production of milk powder from local milk supplies, using the roller process. Import restrictions and scarcity of foreign supplies created a profitable internal market during the war years. However, after the war the firm could not compete with the imported product in either quality or price; and, in 1951, it ceased operations. Before deciding to go out of business, however, the company had sought protection from the Tariff Board in 1948. At that time the Board stated that—

" . . . the scope of developing the milk powder industry depends mainly on the availability of milk. The total supply of milk available in the country is not adequate to meet the requirements of the population and there is an acute shortage of this essential item in all big cities. . . . There may, however, be certain pockets in the country where, owing to the lack of transport facilities, a part of the supply, whether whole or skim milk, left over after the production of various milk products is wasted."

The Food Industries Panel in 1947 had already pointed out that supply was the limiting factor. The Panel stated, "Under present circumstances, taking other factors into consideration, it is thought that a [milk drying] plant capable of handling about 5 tons of milk per day would be suited to Indian conditions."

Since milk production conditions

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Mr. McCabe is Agricultural Economist, Dairy and Poultry Division, FAS.

have not changed significantly since then the unit recommended by the Food Industries Panel is probably still the most economic one for the country. But, since the 5 tons of skim milk would yield no more than 1,000 pounds of nonfat dry milk solids, it can be seen that even at top capacity the unit would meet only about 1 percent of the annual needs as measured through 1953 imports. Even if India succeeds in reaching the target number of 22 plants, it will be at least 5 years or more before these plants can supply any substantial amount of the annual requirements.

India has recently liberalized its quota and licensing regulations, and nonfat dry milk imports from hard currency sources are expected to be stimulated by the action. The "20 percent of best previous year" limitation was raised in June 1953 to 100 percent if the importer was trading in soft currency areas. This provision was then further liberalized, with the granting of a General Type license under which an established importer could bring in from all sources (including hard currency countries) 40 percent of what he imported in his previous best year.

A further amendment to the regulations has been made with the inauguration of a so-called "ad hoc" license under which importers and users may have supplemental licenses. Successful bidders on tenders of the Bombay Milk Commissioner for nonfat dry milk solids need not have licenses for these imports.

Under Serial Number 4(2) of the Indian Customs Tariff Schedule, nonfat dry milk solids containing not more than 4 percent of fat and with no added ingredients are admitted free. Other dried and preserved milk products are subject to a 25 percent ad valorem duty

under Serial Number 4(1) of the Schedule.

Standards for dry-milk products are set by the various Indian States, but only a few of the State Governments have fixed legal requirements. The standards set by the Bombay Milk Commissioner for imports of nonfat dry milk solids require that the powder should be freshly made and of the best spray-dried variety, or extra grade. The powder must be fit for use for at least 1 year from the date of supply, and its quality should be certified by the Government of the exporting country. The Government Milk Factory of Madras, also a large importer of nonfat dry milk solids, stipulates that the powder must be produced by spray-drying of sweet skim milk and should contain not more than 4 percent of fat and 5 percent of moisture; furthermore, it must not contain more than 1.5 percent of water-insoluble matter. The product must also be free from lumps and should not have a scorched or storage flavor or odor; and 20 grams dissolved in 200 milliliters of distilled water shall not give a titratable acidity of more than 0.17 percent calculated or lactic acid.

The dry whole milk standard for Bombay State as set by the Food Adulteration Act specifies that the milk fat should be 26 percent.

British Commonwealth packaging practices exert the strongest influence on the Indian market. The most popular import pack for nonfat dry milk solids is reported to be two 28-pound cans, although large users prefer the 56-pound and 112-pound tins, which are relatively cheaper in price. Most sales of dry whole milk are made in the 1-pound can, with the 5-pound can next in popularity. However, buyers of dry whole milk at retail can also purchase the commodity in containers of 12 and 14 ounces and

of 2.5, 3, 12, 28, 30, and 56 pounds.

The competition United States exporters must face in selling their dried-milk products in the Indian market can be seen by the wholesale quotations for nonfat dry milk solids reported from Bombay last fall; all prices are on the basis of a ton landed c.i.f. Bombay. The lowest price quoted was 11.6 cents per pound for the New Zealand Anchor brand and Australia Brand No. 1. Belgian and other Australian brands were bringing 12.5 cents per pound and Dutch nonfat dry milk solids were being quoted at 14.4 and 15.6 cents a pound.

Dry whole milk, landed by the case on a c.i.f. basis, was bringing 40.8 cents per pound for the Dutch milk in 1-pound cans. The Australian product was selling at wholesale at 32.4 cents for a 12-ounce can, or about 43 cents a pound. The 1-pound tins of Danish dry whole milk had a wholesale price of 48.6 cents a pound. Larger packages were, of course, commanding a much smaller per pound price; in ton lots the prices ran as low as 27.5 cents per pound.

None of the standards specify any labeling requirements. However, if exporters wish to continue to expand their sales to India, their labels should give directions for reconstituting the powder, indicating the amount of water necessary for a given quantity of powder. The labels should also include the name and address of the manufacturer. Because of the duty, the labels—as well as the invoices—should state that the contents contain not more than 4 percent fat and no added ingredients. By relaxing its import quotas, India has made the road much easier for United States exporters; but our products will find a welcome only if they conform to marketing conditions in India.

**M**R. AVERAGE MAN in Mexico is eating more today than he did before World War II, and he is getting considerably more calories. He has increased his consumption of foods in all major food groups, although the extent of the increase varies widely as between groups. The greatest advances are in consumption of fish and vegetables; the smallest, of eggs, fruit, and milk. Cereals furnish roughly half the total calories today, as in prewar years; and by far the most important is corn, Mexico's principal food, followed by sugar, wheat, fats and oils, and meat, in that order.

More of the protective foods come from imports now than before the war, mostly from the United States; for, although Mexico's production of these foods has risen, it falls short of consumption levels.

The extent of the changes in food consumption and in the absolute level cannot be measured accurately at the present time because of the incompleteness of statistical reporting and coverage. The studies that have been made, however, all point in the same direction, and we can be relatively certain that the increase in food consumption since the war has been significant. A study recently completed in the Foreign Agricultural Service, for example, shows an increase of almost 50 percent in the per capita caloric intake since the prewar years. We are

Estimates of food availabilities in Mexico  
[In kilograms per capita per year]

Product	FAS 1935-39	FAO 1934-38	FAO 1946-49	FAO 1949-51	U. S. Em- bassy 1950-52	FAS 1953
Cereals . . .	99.2	109	123	129	136.0	153.8
Starchy roots . . .	4.5	5	7	7	6.7	6.9
Pulses . . .	7.0	9	10	9	9.2	9.5
Sugars . . .	19.6	18	26	30	30.0	29.0
Fats . . .	4.3	5	6	7	6.3	8.1
Fruits . . .	46.0	43	58	( <sup>1</sup> )	47.6	53.6
Vegetables . . .	6.1	( <sup>1</sup> )	24	( <sup>1</sup> )	23.9	14.5
Meat . . .	18.5	25	20	18	20.8	20.9
Eggs . . .	3.3	3	2	2	3.8	4.0
Fish . . .	.4	1	2	( <sup>1</sup> )	2.9	2.6
Milk . . .	54.8	86	68	67	48.6	63.1
Calories per day	1,684	1,800	2,040	2,100	2,285	2,487

<sup>1</sup> Not available.

NOTE: Because FAS has not yet calculated food balances for the years between prewar and 1953, data for that period were taken from the following sources: for 1934-38, *Second World Food Survey*, Food and Agriculture Organization, Rome, November 1952; for 1946-49 and 1949-51, *Prospects for Agricultural Development in Latin America*, Food and Agriculture Organization, Rome, 1953-54; for 1950-52, *Food Consumption in Mexico*, by Paul G. Minnehan, U. S. Embassy Despatch No. 373, Mexico City, Aug. 25, 1953.

# Food Consun

By KAT



Agriculturists evaluate the prospective harvest from a field of hybrid corn near Guadalajara, Mexico. Corn makes up one-half of the calories in the average Mexican diet.

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The study made by FAS varies somewhat from studies made by others.

For instance, those of the Mexican nutrition specialist Dr. Francisco de P. Miranda<sup>1</sup> for 1934 show higher per capita use of vegetable food products than does the FAS calculation for prewar

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# ion in Mexico

H. WYLIE

years, and a much lower meat intake. These figures show some of the differences:

	Grams per capita per day	
	Miranda, 1934	FAS, 1935-39
Corn	279	225
Wheat	70	41
Beans	22	16
Potatoes	10	8
Sweetpotatoes	6.6	4
Chickpeas	7	1
Sugar	56	54
Meat	29	51

On the other hand, estimates made by the Food and Agriculture Organization (FAO) of prewar meat consumption are considerably higher than those of FAS, as are the estimates of milk intake.

Total calorie consumption calculated by FAO for the prewar period is 1,800 per capita per day—somewhat higher than the FAS figure. (The years are not strictly comparable, however.)

In all the studies, corn shows up as the most important food, and it is in estimating consumption of this item that the greatest possibility for error lies. Much of the corn is grown on small subsistence-type farms, for which there is no adequate estimate of production. Practically all of it is used for food; only about 10 percent is utilized for seed, feed, and nonfood industrial purposes. Corn and other cereals, potatoes, and sugar account for almost 75 percent of the total calories, compared with about 43 percent in the United States. Only a small proportion of the total food consists of animal proteins such as meat, milk, and eggs. In all the studies, figures given are averages for the country as a whole, with no attempt made to break them down by income groups or by regions. It is a well-known fact, however, that in many rural areas and in the poorer urban centers, the basic diet consists almost entirely

Estimated food balances in Mexico, average 1935-39, annual 1953

Product	Production	Net trade <sup>1</sup>	Total supply	Food use	Per capita per day		Product	Production	Net trade <sup>1</sup>	Change in stocks	Total supply	Food use	Per capita per day	
1935-39	1,000 metric tons	1,000 metric tons	1,000 metric tons	1,000 metric tons	Calories		1953	1,000 metric tons	1,000 metric tons	1,000 metric tons	1,000 metric tons	1,000 metric tons	1,000 metric tons	Calories
Cereals:							Cereals:							
Corn	1,715	-1	1,714	1,527	810		Corn	3,200	+377	-400	3,977	3,577	1,256	
Wheat	389	+39	428	280	152		Wheat	670	+250	-30	950	2648	233	
Rice, milled	54	-12	42	39	22		Rice, milled	97	...	-5	102	97	32	
Pulses:							Pulses:							
Beans	117	-1	116	106	55		Beans	200	+50	...	250	215	72	
Chickpeas	50	-29	21	10	3		Chickpeas	70	-14	...	56	30	10	
Other	18	-2	16	15	7		Other	25	...	...	25	23	7	
Potatoes:							Potatoes:							
White	69	+1	70	53	7		White	162	+16	...	178	138	11	
Sweet	38	...	38	30	5		Sweet	70	...	...	70	55	6	
Other vegetables	141	-28	113	113	5		Other vegetables	545	-139	...	406	406	10	
Fruit:							Fruit:							
Bananas	498	-307	191	191	26		Bananas	180	-50	...	130	130	12	
Plantains	126	...	126	126	20		Plantains	155	...	...	155	155	17	
Other	546	-8	538	538	47		Other	1,160	-30	...	1,130	1,130	62	
Sugar	386	...	386	364	205		Sugar	946	-221	-139	864	815	305	
Fats and oils	95	+36	131	80	105		Fats and oils	226	+46	...	272	227	193	
Meat	344	...	344	344	107		Meat	600	-12	...	588	588	130	
Eggs (no data)					15		Eggs	100	+13	...	113	113	18	
Fish (estimate)					3		Fish	150	-77	...	73	73	9	
Milk (no data)					90		Milk	1,700	+72	...	1,772	1,772	104	
Total	...		1,684				Total	...					2,487	

<sup>1</sup> + = net imports; - = net exports. <sup>2</sup> Extraction rate, 72 percent. <sup>3</sup> Extraction rate, 94 percent. <sup>4</sup> Probably low because of underreporting of certain items and lack of data on others.

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# Food Consumption in Mexico

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of corn tortillas with chili sauce. Any increase in the intake of protective foods for these groups will depend on raising the level of purchasing power.

The various estimates in all the studies of food consumption in Mexico are relatively consistent, despite differences in methods of computation and in composition of food groups used: They indicate that there has been a gradual upward trend in per capita consumption since World War II.

Domestic production of foods also increased from the prewar period to 1953, but not as much as consumption. Imports were a relatively more important source of food in 1953 than in the earlier period, the most important of them being wheat, corn, beans, fats, dairy products, and eggs. The heavy imports in 1953, however, resulted partly from the severe drought of that year. The figures

for 1954, for example, were well below those of 1953, with the largest cuts in corn and beans.<sup>2</sup>

Most of Mexico's imports of agricultural products come from the United States, which, in turn, takes most of Mexico's agricultural exports except for cotton. These exports are mainly coffee, henequen, cattle, chickpeas, fruit, and winter vegetables.

From imports have come an important part of total consumption of many of those protective foods for which per capita intake is significantly lower in Mexico than in the United States or many of the Latin American countries such as Colombia and Venezuela. And Mexico may continue to take large quantities of eggs, breeding animals, baby chicks, lard and tallow, and possibly dairy products and fresh fruit, although its total agricultural imports may decline still further during the next year.

<sup>2</sup> Mexican Foreign Trade in Agricultural Products in 1954, Foreign Agriculture Circular FATP 5-55, Mar. 31, 1955.

*Negotiators of trade agreements have found a new device for helping to make trade flow more freely among nations. That device is the third-country negotiation.*

## Third-Country Negotiations

By SIDNEY N. GUBIN

Trade agreement negotiations between Japan and 17 other countries, completed recently at Geneva, Switzerland, marked the introduction of an entirely new type of tariff negotiation—the third-country, or triangular, negotiation. While the third-country negotiations actually conducted were extremely limited, they are of interest to United States agriculture as an integral part of the Geneva negotiations which offered Japan opportunities to expand its foreign trade. Japan's buying power is important to American agriculture, which currently ranks Japan as its chief foreign market.

Under these third-country negotiations the United States, to help Japan obtain concessions from a third country that Japan could not pay for directly, itself made tariff concessions to the country. In return, Japan made compensatory tariff concessions to the United States. These triangular negotiations were in addition to the regular bilateral negotiations between Japan and other participating countries.

The best way to illustrate how third-country negotiations work is to review the way they operated at Geneva and to compare the results with what would have happened if only the usual two-country, or bilateral, approach had been used. For this illustration, let us consider the triangular negotiations that involved Canada.

It became apparent at Geneva that Canada was willing to grant Japan more tariff concessions than the Japanese could match and that the Japanese desired these concessions; therefore, the United States third-country team in negotiations with Canada worked out an agreement in which the United States offered certain tariff concessions to the Canadians to balance the Japanese-Canadian negotiations. The same United States negotiators also sat down with the Japanese to obtain conces-

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Mr. Gubin, who is Staff Assistant, Price Division, CSS, served on the third-country team and the Interdepartmental Trade Agreements Committee at the Geneva negotiations.

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sions from the Japanese as compensation for concessions we gave to Canada. After several rounds of negotiations, agreement was reached between the United States and Canada, the United States and Japan, and Canada and Japan. The United States offered Canada concessions on commodities (cobalt salts and compounds, amorphous graphite, turkeys, certain types of pig iron, and aluminum compounds) on which trade in 1954 totaled \$160,000. Japan offered the United States concessions on three products (slide fasteners, X-ray equipment, and parts of certain office machines) on which trade totaled about \$250,000. Canada offered Japan concessions on five items (frozen tuna fish, bamboo blinds, certain ornaments for hats, wooden bowls, and bamboo baskets) on which trade in 1954 was valued at about \$900,000.

Under the usual bilateral procedure, Canada would have had to withdraw some of the concessions it was in a position to offer. And the only tariff concessions that Japan (as well as the United States and Canada) could have obtained would have been those it got in agreements negotiated separately with Canada and the United States, in which an independent balance would have been developed between the concessions offered by each country.

The third-country negotiations grew out of the United States conclusion, made well in advance of the Geneva negotiations, that some new arrangement was needed to increase the number of concessions that Japan was likely to get at Geneva under bilateral negotiations.

Analyses of trade statistics showed that certain countries might not participate at all in the Geneva negotiations, owing to their limited trade with Japan. They also showed that Japan might have difficulty in obtaining many concessions from countries that would participate because, by reason of its limited trade, it would be unable to grant the concessions needed to balance the concessions offered.

Before the third-country negotiations, the United States prepared a preliminary list of products for possible use. After careful screening and Presidential approval, this list was published with an announcement that public hearings would be held before the Committee for Reciprocity Information and the Tariff Commission.<sup>1</sup> At the hearings, all interested parties had the opportunity to present their views. After considering all the data, the Interdepartmental Committee on Trade

Agreements (TAC) sent to the President, for approval, its recommended list. Only those commodities approved by both the TAC and the President could finally be used in the negotiations. As events developed, concessions were granted in triangular negotiations on only a small number of items for which there was authority to grant reductions.

To handle the third-country negotiations, the United States appointed a special team of negotiators for the Geneva conference. This team was separate and distinct from the regular United States-Japanese negotiating team. It was headed by a representative of the State Department and included an additional member from the State Department, who served as secretary of the team, and three other members representing the Department of Agriculture, the Department of Commerce, and the Tariff Commission.

All triangular agreements developed by this team, like all other trade agreements, had to be submitted to the TAC for consideration. Upon approval by the TAC, they then had to be approved by the President before becoming binding upon the United States.

In undertaking these third-country negotiations, the special team of negotiators encountered a number of special situations. The most important were as follows:

1. Although the team worked on the third-country negotiation problem from the very start of the Geneva negotiations, in February 1955, it was difficult to advance formal negotiations very far until a bilateral agreement between the United States and Japan had been completed. This was so because most countries wanted to be sure that the principal negotiations between the United States and Japan had been concluded before they seriously committed themselves. Furthermore, only at this stage could the Japanese and United States teams negotiate on the commodities on which concessions from Japan were necessary to compensate the United States for granting concessions to third countries. Thus, the team had only a short period of time in which to conduct its negotiations, since all Japanese negotiations had to be completed

<sup>1</sup> Before a trade agreement is negotiated, the Tariff Commission is required to determine the lowest rate of duty that could be fixed on any item without causing or threatening serious injury to the domestic industry producing a competitive product.

in time for approval by the President before June 12, 1955, the expiration date of the Trade Agreement Extension Act of 1954, the act under which authority existed for the negotiations.

An important factor in enabling the United States to complete the third-country negotiations on schedule was the presence in Geneva of members of the TAC.

2. The team had to determine that both Japan and the third country had made every reasonable effort to develop a balanced agreement before resorting to the triangular procedure. The United States did not want its concessions to a third country merely to substitute for those that Japan could offer. This would have defeated the basic purpose of the third-country negotiations—to broaden the negotiations. To achieve this goal, the third-country team kept a close tab on the course of negotiations between Japan and the other countries from the very start. Whenever it appeared that either country was not offering all the concessions it might offer, these facts were immediately brought to the attention of Japan or the third country.

3. The team had to evaluate the gap, if any, between the concessions offered by the third country and those offered by Japan. This evaluation required not only appraising the trade in each of the concession items, but also determining the quality of the concessions offered. Since the concessions ranged from bindings at existing rates to some sizable cuts, the evaluation was quite a task.

4. After the third-country negotiations got underway, the team had to negotiate simultaneously with the Japanese and the third country. It had to do so for several reasons. On the one hand, it had to be assured not only that the Japanese wanted the supplementary concessions being offered by the third country, but also that Japan was prepared to compensate us for our concessions to the third country. On the other hand, the team had to indicate to the third country the compensation we were prepared to offer for the concessions the third country would make to Japan.

5. The scope of the third-country negotiations necessarily was limited. The most important factor was the nature and distribution of Japan's trade. While the countries participating in the negotiations accounted for over 50 percent of Japan's imports, they accounted for only 26 percent of

its exports. Many of the countries primarily exported raw materials to Japan and took manufactured goods in return. These countries were reluctant to grant concessions on manufactured goods in return for bindings or small reductions on already low Japanese rates on raw materials. Furthermore, the United States could influence such negotiations only slightly since, as in the case of Japan, the United States imported raw materials from these countries and United States duties on such commodities are similarly low or nil.

Concessions obtained by the United States from Japan under the third-country negotiations, like those obtained in the bilateral agreement, will be effective September 10, 1955, if by August 11 two-thirds of the contracting parties have voted favorably on Japan's accession to the General Agreement on Tariffs and Trade. United States concessions to third countries will not be effective until the third country gives effect to its concessions to Japan, which may be September 10 or later.

Some idea of the results of the third-country negotiations can be obtained by looking at the number of such agreements and the size of the additional concessions obtained.

During the course of the negotiations at Geneva, Japan completed agreements with 16 countries in addition to the United States, and was able to arrive at balanced agreements with 10; 6 of the 10—those with Norway, Sweden, Denmark, Italy, Finland, and Canada—required the third-country approach.

Through this approach the United States granted to the 6 countries concessions on commodities involving imports from all sources, which totaled about \$3 million. Imports of these commodities from the countries with which the concessions were negotiated totaled about \$1 million. In return the United States received concessions from Japan on items that the United States exported to Japan to the extent of \$1.2 million. Japan received from the third countries concessions on items with a trade of \$2 million. These figures tell only part of the story since the concessions differed in size. In some cases, they involved only the binding of a rate; in other cases, they involved duty reductions of varying degrees.

Although we developed the third-country approach specifically for the Japanese negotiations at Geneva, it could in time become one of the established approaches to tariff negotiations.

# Our Arrowroot Comes From the Windward Islands

By JAMES H. KEMPTON

From tiny St. Vincent, one of the Windward Islands in the British West Indies, the United States gets almost its entire supply of arrowroot. Though the quantities involved are not large, arrowroot starch is important for both the United States and St. Vincent. For us, this fine-textured, easily digested starch is a principal ingredient in such products as prepared puddings, canned baby foods, and canned soups. For St. Vincent, it is the principal dollar export, accounting for over half the dollar exchange that St. Vincent uses for such United States goods as onions, timber, shoes and clothing, piece goods of cotton and artificial silk, bags and sacks, and cordage and twine.

Almost all the arrowroot starch St. Vincent makes is exported; 75 percent of the exports go to the United States, and the rest to Great Britain. Since this United States trade is so important to St. Vincent, the island's government and the arrowroot growers' association (through which all the starch is marketed) are keenly alive to the need for meeting our standards and for the continuous improvement of the product. They give intelligence, time, and money to make it exactly what we want.

True arrowroot starch is derived from the tubers of *Maranta arundinacea*, a plant much like our common canna, though with smaller flowers, which are pale green and borne on slender stalks from 3 to 4 feet high. The plant is native to the whole Caribbean area, but St. Vincent is by far the principal producer of arrowroot starch today.

Arrowroot culture in St. Vincent goes back to far-off days. When the British arrived there, they found the Caribe Indians growing it. In slave days, however, sugar was king, and sugarcane gradually occupied most of the arrowroot acreage. Still standing on the windward hills are the stone towers of the windmills that once ground the sugarcane. But with the end of slavery on St. Vincent, the growing of sugarcane there became unprofitable. Back came



A field of arrowroot in St. Vincent's. That tiny island of the Windwards sends us almost all our arrowroot starch.

the arrowroot, and today it occupies a stable 7,500 acres, with an average starch yield of something over 1,000 pounds per acre ( $1\frac{1}{2}$  to 2 tons on the better estates). Acreage is not expanding, for nowadays St. Vincent is emphasizing production of cacao, a crop that gives a better return per acre at current prices.

The fields that make up St. Vincent's arrowroot acreage are all small by United States standards. Most are less than an acre, and a 10-acre arrowroot field ranks as large. Estate-owners have two-thirds of the acreage; small planters, the remaining third.

St. Vincent's arrowroot fields extend from just beyond high tide, where woven grass windbreaks check the salt spray, up the steep slopes in terrace after terrace to a height of about 1,000 feet. The crop is grown over much of the island. The principal plantings, however, are on the windward side, probably to take full advantage of the rainfall, since arrowroot is a great consumer of water in all stages of production. This need to conserve water helps to account also for the fact that, except for parts of Peru, St. Vincent is the most thoroughly terraced area in the Western Hemisphere.

Arrowroot is an 11-month crop, with a harvest

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Mr. Kempton, U. S. Agricultural Attaché to Venezuela, visited St. Vincent's last year while on a trip with a group of Venezuelan scientists, as guest of Dr. W. H. Phelps.

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season ranging from November to April, depending on the month the field is started. The culture follows a 7-year rotation, dictated by the monthly rainfall, which is heaviest from June through November. The skilled labor that hoes out the tubers for harvest leaves just enough in the ground to result in a full stand of plants during the next 11 months. This means that for a field started in May and harvested the next April, the harvest month 6 years later will be November. Then the cycle must be broken, or the harvests will fall in the wet season.

Arrowroot shares its fields with several other export crops: sweetpotatoes, sea island cotton, peanuts, or tomatoes. Or it may be put in grass pasture for grazing sheep or cattle.

The processing of arrowroot is done in mills that are powered by water wheels, except for two that have been converted to electric power. The mills are all estate-owned, but on "off" days they process the tubers brought in by the small growers, and receive in payment one-third of the starch produced.

The cream-colored, carrot-shaped tubers are brought to the mills by truck. There a paddle-operated washer removes dirt and rootlets, and the washed roots are wet-ground, sieved, and reground. The resultant mass is slowly floated in long, shallow, concrete gutters, and placed in concrete settling vats overnight. In the morning the water is drawn off and the wet starch heaped on wooden paddles. Women workers take these loaded paddles to the drying racks, which consist of galvanized half-inch-mesh chicken wire laid horizontally in 10 tiers, each rack about 2 feet from the next. The drying racks are covered by the drying shed, which is usually about a hundred feet long, open on the sides but protected by fixed wooden louvers from direct winds and rain. The women take from their paddles handfuls of wet starch about the size of tennis balls, and throw them up to the topmost tier of wire netting. Here the balls dry for 5 days in normal weather; 10 days may be needed, but periods longer than that result in a reddish discoloration that reduces grade and value.

As soon as the starch balls begin to dry, the women pass through the drying shed hitting the undersides of the screens with stout sticks. Pieces of starch less than a half-inch in size then fall through to the next screen. This process continues until the starch drops to the table that supports the tiers. At this stage it varies from single grains to rough irregular lumps a quarter-inch or more



Arrowroot starch is dried on racks made of chicken wire.

in size, which usually crumble at a touch into a textureless powder too fine to have perceptible granulations.

The starch produced in the estate mills is packed there in cotton sacks. However, all starch destined for the United States trade is remilled in Kings-town, tested for viscosity, and repacked in 112-pound bags. The Arrowroot Association of estate owners, organized in 1925, handles all marketing, regulates grades, and negotiates price, usually on a 1-year basis. There are four grades of commercial starch, based on color and viscosity.

From the West Indian farmer's standpoint, arrowroot is an almost ideal crop. Once planted it is good for 7 years: properly harvested it recovers with sufficient density not only to provide the next year's crop but to shade out competing weeds and make cultivation unnecessary. The crop has no diseases. True, it is sometimes attacked by a caterpillar, for which arsenical dusts are hand-applied, but this pest is not constant, and many plantings escape it. The skilled labor needed is present in ample supply, and the market is steady.

# Selling Fats and Oils to Western Germany

(Continued from page 156)

**Industrial fats.** The Federal Ministry of Economics estimated an overall increase of 5 to 8 percent for 1954 in industry's consumption of agricultural and marine fats and oils, raising it from 1953's 225,000 metric tons to somewhere between 235,000 and 245,000. The market for industrial fats and oils, which depends on the consumption of finished commodities, is benefitting from production increases in all the major industries concerned and is improving along with the overall rise in purchasing power and living standards.

The soap industry still feels the loss of its prewar East German markets, but sales are on the whole holding up fairly well. Building and construction activity continues high, and current housing construction is approaching a record. This means increased consumption of paint, lacquer, varnish, and linoleum, all large users of drying oils. Linseed oil, still a better bargain than the new synthetic resins, remains a basic binding agent. And Germany's increased production of fatty acids, in addition, is consuming more inedible tallow.

## West German Trade Policy

Our fats and oils, like most other U. S. farm products, have stood at a disadvantage in the West German market because of trade restrictions imposed against the dollar area by the Federal Government.

This restrictive policy had its origin in the period of dollar shortages which followed the war. But now that the nation's economy and foreign trade have revived, gold and dollar reserves are more adequate. However, the Federal Republic still finds it advantageous to divert trade toward those countries that are Germany's best customers. Thus, Germany's position as a large buyer becomes a lever for increasing its export trade.

**Payment areas.** For trade and payments purposes, Germany views the world as being made up of three currency areas: (1) The European Payments Union, consisting of most of free Europe, plus the overseas currency areas of the European countries which clear through the EPU; (2) offset account countries, roughly the rest of the soft cur-

rency countries, with certain exceptions; and (3) the dollar area. Tradewise, the dollar area consists primarily of the United States and Canada, but also includes the Philippines, Central American and Caribbean countries, and a few others. Trade liberalization is greatest for the EPU area and least for the dollar area.

This differential treatment reflects Germany's trade balances with the different areas. Germany is a heavy creditor within EPU, and nearly all the offset account countries also owe Germany money. The United States and Canada, on the other hand, buy less from Germany than they sell to it. The net effect on U. S. producers and exporters has been that, for most fats and oils, they cannot compete on even terms with foreign suppliers.

**Machinery of restriction.** The imports of butter and other edible fats such as lard, margarine, and cooking fats are controlled on the basis of the Milk and Fat Marketing Law, enacted in late 1950, which gives the Federal Government monopoly powers over trade in that commodity field. This law continues previous regulations of similar type. The devices for control are licenses and "sluice-gate provisions," which give the Import and Storage Agency prior right to take over, or deny entry to, these imports. Oilseeds and vegetable oils not thus controlled were subject to license for imports from the dollar area, like all other products not liberalized. Effective May 28, 1955, however, oilseed and raw vegetable oils for industrial uses were removed from the list of quantitatively controlled imports.

Three liberalization lists have been issued for the dollar area—two in 1954 and one so far in 1955. These lists do not yet, however, include all of the fats and oils that the United States exported to Germany in 1953 and 1954. Liberalized as of May 28, 1955, are the following:

All oilseeds  
Raw vegetable oils for industrial uses  
Raw glycerine and fat-processing residues  
Animal fats and oils for industrial uses  
Marine fats and oils for industrial uses

**Import announcements.** When the government decides that it will permit direct purchases on non-liberalized dollar items, it publishes an "import

announcement," specifying the commodities and permissible sources as well as such things as quality specifications and delivery dates. License applications are then submitted by importers and, if approved, lead to final contracts. Announcements are usually on an indefinite basis, with the total volume and duration of the program an official secret. (This policy stems from experience showing that prices tended to rise when amounts and deadlines were made known.)

**Open tender system.** U. S. representatives abroad have been successful in obtaining more liberal administrative treatment for certain controlled commodities, notably lard. The lard trade was finally rewarded on December 31, 1954, with an announcement for open tender imports of U. S. lard against government-allocated "free dollars" to a value of \$6 million. This allocation was increased several times, and 1955 authorizations are expected to surpass \$13 million—nearly double 1954's lard imports of \$7.5 million.

The open tender system has tremendous advantages for both importer and foreign supplier. Under government purchasing, both the importing country and the exporting country have found themselves forced to deal with the lowest bidder. Price has inevitably played a larger role than quality, not always to the satisfaction of the ultimate consumer. But under the open tender system, which the Federal Government now calls "the normal procedure," the trade "pays its money and takes its choice."

That this system represents a long step toward a real competitive situation is shown by the appreciative reception that the German trade accorded the first shipments of United States lard under open tender, early in 1955. Trade publications emphasized the excellent quality, reported ready sales, and urged continuance of this method for obtaining high-quality lard under favorable terms. The system has brought protests, however—from OEEC countries interested in exporting lard, from the German margarine industry, and from the protection-minded German Farmers' Association, which is concerned about Western Germany's growing surplus of hogs.

**Transit trade.** Germany's trade policy restricts payments in dollars but does not restrict the entry of U. S. products where they are obtainable for other currencies. German importers, who frankly

state their preference for direct trade with U. S. dealers, have been extremely resourceful in arranging for the import of U. S. fats and oils via third countries. In 1953, for example, Germany's principal imports of U. S. fats and oils amounted to 282,000 metric tons. But only 56 percent was by direct purchase; the rest was transit trade. In 1954 the direct purchases dropped still further, to 29 percent (105,000 metric tons out of 358,000).

Though transit trade does bring in U. S. goods, it involves the extra expense of premiums to the third countries. Until the summer of 1954, it also involved troublesome three-cornered negotiations on matters of quality, delivery terms, and so on. Also, such trade depends on the availability of dollars in the third countries. Nevertheless, from the end of the war until early 1955, this transit trade was the major means of selling Western Germany our fats and oils.

**U. S. aims.** The progress made toward reducing the obstacles confronting U. S. exporters has been not only encouraging, but—in view of the



A draft of lard moves aboard ship in New York harbor. To United States lard producers, Western Germany is a principal foreign market.

pressures posed by Germany's overall trade balance and payments situation—very considerable. Nevertheless, the fact remains that full trade liberalization is the only answer that will put U. S. suppliers on a truly competitive footing with foreign suppliers. The United States, in its negotiations with the Federal Republic, continues to seek gradual liberalization of the remaining fats and oils. There is hope that, as Germany's dollar earnings and reserves improve, such liberalization will be extended.

### Outlook for 1955

Total edible fat requirements for 1955 are estimated at 1.27 million metric tons (pure fat), or 1.6 percent more than in 1954. If Western Germany

Western Germany's dependence on fat imports,  
1953 and 1954<sup>1</sup>

Commodity	1953			1954		
	Production from domestic sources	Consumption	Dependence on imports	Production from domestic sources	Consumption	Dependence on imports
	1,000 metric tons	1,000 metric tons	Percent	1,000 metric tons	1,000 metric tons	Percent
Edible fats and oils:						
Butter .....	264	266	1	278	294	5
Edible slaughter fats	224	303	26	230	286	20
Margarine, shortening, and table oil ingredients	58	615	91	35	670	95
Total .....	546	1,185	54	543	1,250	57
Industrial fats and oils	19	225	92	13	251	95

Source: Compiled by the American Embassy, Bonn, Germany, from data furnished by the Federal Ministry for Food, Agriculture, and Forestry and the Federal Statistics Office.

<sup>1</sup> Edible fats and oils, converted to pure-fat equivalents of product weight, as follows: Butter, 82 percent; tallow, 70.3 percent; lard, 80 percent; margarine, 80 percent; shortening and table oil, 100 percent. Industrial fats and oils, raw product weight.

### West German imports of principal fats and oils, total and from the United States, 1953 and 1954

[In thousands of metric tons]

Commodity	1953		1954			
	Total	From United States as—		Total		
		Country of origin	Selling country			
Oilseeds:						
Soybeans .....	198.6	127.4	18.1	251.3	206.6	
All other .....	522.3	—	—	548.7	19.2	
Total oilseeds ..	720.9	127.4	18.1	800.0	206.6	
Vegetable oils:						
Soybean oil .....	28.3	8.3	8.3	32.3	3.5	
Cottonseed oil ...	2.2	(1)	(1)	29.2	21.5	
Linseed oil .....	65.4	—	—	95.4	2.3	
All other .....	211.6	—	—	203.8	—	
Total veg. oils .	307.5	8.3	8.3	360.7	27.3	
Fatty acids, glycerine, and fat processing residues ...	6.1	1.3	(2)	10.2	1.5	
Hardened fats, oils, and margarine .....	4.8	—	—	2.2	(1)	
Animal fats and oils:						
Lard, lard oil, and poultry fat ..	42.1	31.0	17.0	28.7	18.5	
Fatbacks .....	31.5	18.5	18.2	23.9	8.5	
Tallow .....	28.2	25.4	25.4	31.4	29.1	
Neat's-foot oil, bone oil, and other animal fats and oils .....	44.9	39.0	39.0	42.5	33.8	
Total animal fats and oils .....	146.7	113.9	99.6	126.5	89.9	
Marine fats and oils:						
Whale fat and oil .....	120.4	32.4	32.0	121.4	34.2	
All other .....	83.1	—	—	110.4	—	
Total marine fats and oils .....	203.5	32.4	32.0	231.8	34.2	
					9.8	

Source: Compiled from *Der Aussenhandel der Bundesrepublik Deutschland* and from data furnished to the American Embassy, Bonn, Germany, by the Federal Statistics Office.

<sup>1</sup> Less than 50.

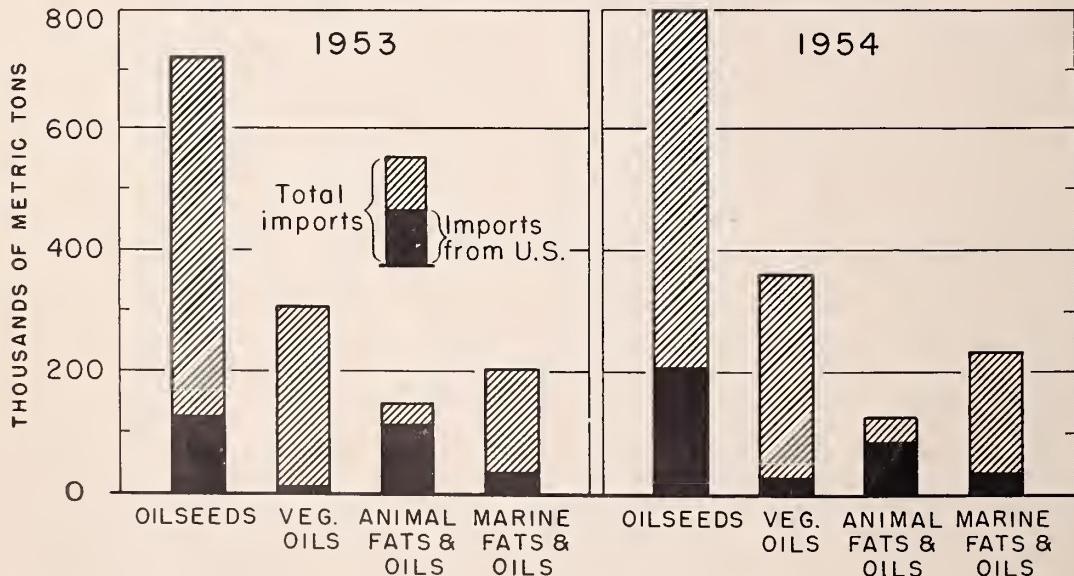
<sup>2</sup> Not available.

attains its 1955 target for Federal fat stocks—20,000 tons of lard and 40,000 tons of raw materials for margarine—it will need an additional 12,000 tons of lard (raw weight) and about 30,000 tons of raw oils or seed equivalent. But increased German production due to the surplus of slaughter hogs will mean decreased sales possibilities for U. S. lard and fatback—a situation which the United States as principal supplier must face, and which can be turned to its advantage only by increased care for quality and by truly competitive prices. Lard is no longer a "basic" edible fat which can count on unwavering consumer loyalty no matter what happens. Anything other than good and uniform quality will further reduce the genuine long-term demand; and anything other than a favorable price spread between the price to the importer and the internal market price will lead to further reductions in sales.

Our outlook for exports to Western Germany has been improved by the liberalization of the dollar trade in oilseeds and all industrial oils. If Germany's industrial prosperity continues its steady climb, consumption of all fats and oils—including industrial oils—will climb with it. We can probably further increase our sales of oilseeds for crushing in German mills, and (if U. S. prices are favorable) perhaps our sales of industrial oils also.

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### UNITED STATES SHARE IN WEST GERMAN MARKET FOR FATS AND OILS, 1953 AND 1954



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